

**GAO**

Testimony

Before the Permanent Subcommittee on  
Investigations, Senate Committee on  
Homeland Security and Governmental  
Affairs, U.S. Senate

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**MEDICAID**

**Thousands of Medicaid  
Providers Abuse the Federal  
Tax System**

Statement of Gregory D. Kutz, Managing Director  
Forensic Audits and Special Investigations





Highlights of [GAO-08-239T](#), a testimony before the Permanent Subcommittee on Investigations, Senate Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

In fiscal year 2006, outlays for Medicaid were about \$324 billion; about \$185 billion was paid by the federal government. Because GAO previously identified abusive and criminal activity associated with government contractors owing billions of dollars in federal taxes, the subcommittee requested GAO expand our work to Medicare and Medicaid providers. Today's testimony covers Medicaid providers who abused the federal tax system from 7 selected states.

GAO was asked to (1) determine if Medicaid providers have unpaid federal taxes, and the magnitude of such debts; (2) identify examples of Medicaid providers that have engaged in abusive or related criminal activities; and (3) determine whether the Centers for Medicare & Medicaid Services (CMS) and the states prevent health care providers with tax problems from enrolling in Medicaid or participating in the continuous levy program to pay federal tax debts. To perform this work, GAO analyzed tax data from the Internal Revenue Service (IRS) and Medicaid data from seven selected states and performed investigative activities.

## What GAO Recommends

GAO's related report (GAO-08-17), released today, recommended IRS determine whether Medicaid payments can be included in the continuous levy program and evaluate the 25 cases GAO identified for additional collection and criminal investigation. IRS agreed with our recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-239T](#). For more information, contact Greg Kutz at (202) 512-6722 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

## MEDICAID

### Thousands of Medicaid Providers Abuse the Federal Tax System

#### What GAO Found

Over 30,000 Medicaid providers, about 5 percent of those paid in fiscal year 2006, had over \$1 billion of unpaid federal taxes. These 30,000 providers were identified from a nonrepresentative selection of providers from seven states: California, Colorado, Florida, Maryland, New York, Pennsylvania, and Texas. This \$1 billion estimate is understated because some Medicaid providers may have understated their income or not filed their tax returns.

We selected 25 Medicaid providers with high federal tax debt as case studies for more in-depth investigation of the extent and nature of abuse and related criminal activity. For all 25 cases we found abusive and related criminal activity, including failure to remit individual income taxes or payroll taxes to IRS. Rather than fulfill their role as "trustees" of federal payroll tax funds and forward them to IRS, these providers diverted the money for other purposes. Willful failure to remit payroll taxes is a felony under U.S. law. Individuals associated with some of these providers diverted the payroll tax money for their own benefit or to help fund their businesses. Many of these individuals accumulated substantial assets, including million-dollar houses and luxury vehicles, while failing to pay their federal taxes. In addition, some case studies involved businesses that were sanctioned for substandard care of their patients. Despite their abusive and related criminal activity, these 25 providers received Medicaid payments ranging from about \$100,000 to about \$39 million in fiscal year 2006.

#### Examples of Medicaid Providers with Abusive and Related Criminal Activity

Type of business	Fiscal year 2006		Description of activity
	Unpaid tax debt	Medicaid payments	
Nursing home	\$2 million	\$6 million	Owner fined for jeopardizing health and safety of patients.
Home care	\$3 million	\$2 million	Business did not file tax returns in late 1990s and early 2000s.
Counselor	\$200,000	\$200,000	Owner indicted for fraud for several hundred thousand dollars relating to a federal program.

Source: GAO analysis of IRS, CMS, public, and other records.

CMS and our selected states do not prevent health care providers who have federal tax debts from enrolling in Medicaid. CMS officials stated that such a requirement for screening potential providers for unpaid taxes could adversely impact states' ability to provide health care to low income people. Further, federal law generally prohibits the disclosure of taxpayer data to CMS and states.

No tax debt owed by Medicaid providers has ever been collected from Medicaid payments through the continuous levy program. IRS has determined that Medicaid payments are not considered "federal payments" and thus not eligible for this program. GAO estimates that for the seven selected states the federal government could have collected between \$70 million to \$160 million during fiscal year 2006 if an effective levy program was in place.

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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss Medicaid health care providers from seven selected states and their adherence to the federal tax system. This testimony builds on your concern about the \$290 billion annual federal tax gap. This testimony also builds on a large body of work, conducted over the past few years, much of which was requested by this Subcommittee, in which we investigated entities that have abused the federal tax system while benefiting from doing business with or receiving status from the federal government.<sup>1</sup> Our testimony, and the accompanying report that we are releasing today,<sup>2</sup> address Medicaid health care providers from seven selected states who also abused the federal tax system.

Medicaid is the largest source of funding for medical and health-related services for America's poorest people. More than 50 million persons enrolled in the Medicaid program in fiscal year 2006. Medicaid is jointly funded by the federal and state governments. In fiscal year 2006, according to Centers for Medicare & Medicaid Services (CMS), total outlays for Medicaid (federal and state) were approximately \$324 billion, of which about \$185 billion was paid by the federal government.

Today's testimony focuses on (1) whether providers who receive Medicaid payments from the seven selected states have unpaid federal taxes, and if so, the magnitude of federal tax debts owed by these Medicaid providers; (2) providing examples of providers engaged in abusive and criminal activity related to the federal tax system; and (3) whether CMS and selected states prevent health care providers with tax problems from enrolling in Medicaid or participate in the continuous levy program to pay federal tax debts.

To identify the extent to which Medicaid providers had unpaid federal taxes, we obtained and analyzed fiscal year 2006 Medicaid payments made to providers in a nonrepresentative selection of seven states:<sup>3</sup> California,

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<sup>1</sup>See related GAO products at the end of this testimony.

<sup>2</sup>GAO, *Medicaid: Thousands of Medicaid Providers Abuse the Federal Tax System*, [GAO-08-17](#) (Washington, D.C.: Nov. 14, 2007).

<sup>3</sup>There are 56 Medicaid programs, including one for each of the 50 states, the District of Columbia, Puerto Rico, American Samoa, Guam, Northern Mariana Islands, and the Virgin Islands. Hereafter, all 56 entities are referred to as states.

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Colorado, Florida, Maryland, New York, Pennsylvania, and Texas.<sup>4</sup> We matched the lists of Medicaid providers with IRS tax debts as of September 30, 2006. To further analyze abuse of the federal tax system by selected Medicaid providers, we applied certain criteria—the amount of outstanding tax debt, and the number and age of reporting periods for which taxes were due—to select 25 providers for detailed audit and investigation. For these 25 providers, we reviewed tax records and performed additional searches of criminal, financial, and other public records.

To determine whether CMS and states prevent health care providers with unpaid federal taxes from enrolling in Medicaid, we interviewed officials from CMS and selected states and examined CMS and selected states' regulations, policies, and procedures for making determinations in the enrollment approval process. We also interviewed officials from CMS, the Internal Revenue Service (IRS), and the Department of the Treasury's Financial Management Service (FMS) concerning any barriers for levying Medicaid payments. For further details on our scope and methodology, see appendix I of the accompanying report.<sup>5</sup>

We conducted our audit work from July 2006 through August 2007 in accordance with U.S. generally accepted government auditing standards. We performed our related investigative work in accordance with standards prescribed by the President's Council on Integrity and Efficiency.

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## Summary

While the vast majority of Medicaid providers pay their fair share of taxes, thousands of Medicaid providers in seven selected states abused<sup>6</sup> the federal tax system with little or no consequence. Our analysis of data provided by the selected states and IRS indicates that over 30,000 Medicaid providers, over 5 percent, had tax debts totaling over \$1 billion

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<sup>4</sup>Throughout this testimony, these seven states are referred to as the selected states.

<sup>5</sup>[GAO-08-17](#).

<sup>6</sup>We considered activity to be abusive when a Medicaid provider's actions or inactions, though not illegal, took advantage of the existing tax enforcement and administration system to avoid fulfilling federal tax obligations and were deficient or improper when compared with behavior that a prudent person would consider reasonable.

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as of September 30, 2006.<sup>7</sup> The unpaid taxes largely consisted of individual income and payroll taxes.<sup>8</sup> The \$1 billion estimate of tax debts owed by Medicaid providers is understated because IRS data do not reflect all amounts owed by businesses and individuals. Specifically, the \$1 billion estimate of tax debts owed does not include amounts owed by businesses and individuals that have not filed tax returns or that have failed to report the full amount of taxes due (referred to as nonfilers and underreporters) and for which IRS has not determined which specific tax debts are owed.

Our audit and investigative work details the nature of abusive and criminal activity related to the federal tax system by 25 Medicaid providers. These 25 providers were paid by Medicaid for a variety of services, including hospital, nursing facility, physician, and ambulance services. Payments ranged from about \$100,000 to approximately \$39 million during fiscal year 2006. Many were established businesses that owed federal payroll taxes withheld for their employees. Rather than fulfill their role as “trustees” of these funds and forward them to IRS as required by law, these health care providers diverted the money for other purposes. These payroll taxes included amounts withheld from employee wages for Social Security, Medicare, and individual income taxes.<sup>9</sup>

At the same time that they were not paying their federal taxes, many individuals associated with our 25 cases bought or owned significant personal assets, including commercial properties, expensive homes, and luxury vehicles. One business officer withdrew over \$100,000 in cash at casinos at the same time the business accumulated millions of dollars in federal taxes. Further, another case study business was sanctioned by its state regulator for substandard care of its patients.

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<sup>7</sup>Because some Medicaid providers may do business with Medicare and other federal agencies, such as Veterans Affairs, some of the approximately 30,000 Medicaid providers described in this testimony may also have been included in our reports concerning the Department of Defense, General Services Administration, civilian federal contractors, Medicare Part B providers, and tax-exempt organizations that abuse the federal tax system.

<sup>8</sup>Payroll taxes include amounts that employers withhold from employees’ wages for federal income taxes, Social Security, and Medicare as well as the related employer matching contributions for Social Security and Medicare taxes. Employers are responsible for remitting payroll taxes to IRS and are liable for any outstanding balance.

<sup>9</sup>Willful failure to remit payroll taxes is a criminal felony offense while the failure to properly segregate payroll taxes can be a criminal misdemeanor offense. 26 U.S.C. §§ 7202, 7215, and 7512 (b).

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CMS and the selected states do not prevent health care providers who have tax debts from enrolling in or receiving payments from Medicaid. CMS has not promulgated regulations to require states to (1) screen health care providers for unpaid taxes and (2) obtain consent for IRS disclosure of federal tax debts. CMS officials stated that the primary focus of the Medicaid program, in partnership with the states, is to provide health care services for low income people and not the administration of taxes. CMS officials stated that such a requirement could be a burden to the states in their enrollment of providers and could adversely impact states' ability to provide health care to the poor. Even if CMS did want to screen health care providers with tax debts, federal law generally prohibits the disclosure of taxpayer data to CMS and states.<sup>10</sup> Thus, CMS and states do not have access to tax data directly from IRS unless the taxpayer provides consent. Consequently, CMS and the selected states have no mechanism or requirement to prevent health care providers who have tax debts from enrolling in or receiving payments from Medicaid.

A provision of the Taxpayer Relief Act of 1997 authorizes IRS to continuously levy certain federal payments made to delinquent taxpayers. In response to one of our recommendations from our accompanying report,<sup>11</sup> IRS has determined that Medicaid payments are not considered federal payments, and thus are not subject to the continuous levy program. Thus, no tax debt owed by Medicaid providers can be collected through the continuous levy program. If there had been an effective program in place for levying Medicaid payments, we estimate that for fiscal year 2006, the selected seven states could have levied payments for the federal government and collected between \$70 million to about \$160 million of unpaid federal taxes.

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<sup>10</sup>States screen health care providers prior to enrollment into the Medicaid program. States also process and pay Medicaid claims and are reimbursed for the federal share of these payments by CMS.

<sup>11</sup>[GAO-08-17](#).

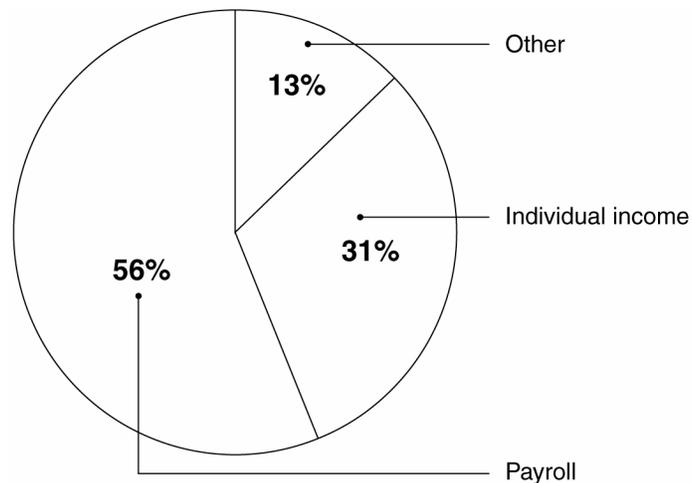
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## Magnitude of Unpaid Federal Taxes of Medicaid Providers

Our analysis found that over 30,000 Medicaid providers at the selected states had over \$1 billion in unpaid federal taxes as of September 30, 2006.<sup>12</sup> This represents over 5 percent of the approximately 560,000 Medicaid providers paid by the selected states during federal fiscal year 2006. As shown in figure 1, 87 percent of the approximately \$1 billion in unpaid taxes was comprised of individual income and payroll taxes. The other 13 percent of taxes included corporate income, excise, unemployment, and other types of taxes.

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**Figure 1: Medicaid Providers' Unpaid Taxes by Tax Type**



Source: GAO analysis of Medicaid and IRS data as of September 30, 2006.

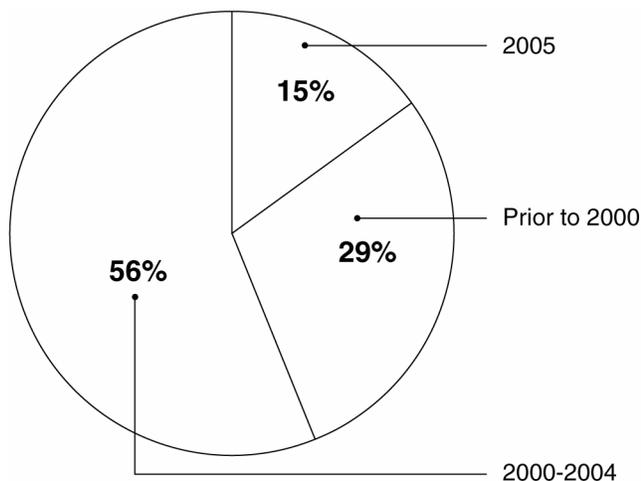
A substantial amount of the unpaid federal taxes shown in IRS records as owed by Medicaid providers had been outstanding for several years. As reflected in figure 2, about 56 percent of the \$1 billion in unpaid taxes was for tax periods from calendar year 2000 through calendar year 2004, and

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<sup>12</sup>Our estimate of Medicaid providers with tax debt as of September 30, 2006, excluded (1) tax debts that have not been agreed to by the tax debtor or affirmed by the court, (2) tax debts from calendar year 2006, (3) approved Medicaid claims less than \$100, and (4) tax debts less than \$100.

approximately 29 percent of the unpaid taxes was for tax periods prior to calendar year 2000.<sup>13</sup>

**Figure 2: Unpaid Taxes of Medicaid Providers by Calendar Year**



Source: GAO analysis of Medicaid and IRS data as of September 30, 2006.

The amount of unpaid federal taxes reported above does not include all tax debts owed by Medicaid providers due to statutory provisions that give IRS a finite period under which it can seek to collect on unpaid taxes. There is a 10-year statute of limitations beyond which IRS is prohibited from attempting to collect tax debt.<sup>14</sup> Consequently, if the Medicaid providers owe federal taxes beyond the 10-year statutory collection period, the older tax debt may have been removed from IRS's records. We were unable to determine the amount of tax debt that had been removed.

Although the \$1 billion in unpaid federal taxes we identified as owed by Medicaid providers as of September 30, 2006, is a significant amount, it understates the full extent of unpaid taxes. This amount does not include

<sup>13</sup> A "tax period" varies by tax type. For example, the tax period for payroll and excise taxes is generally one quarter of a year. The taxpayer is required to file quarterly returns with IRS for these types of taxes, although payment of the taxes occurs throughout the quarter. In contrast, for income, corporate, and unemployment taxes, a tax period is 1 year.

<sup>14</sup> The 10-year time limit may be suspended and include periods during which the taxpayer is involved in a collection due process appeal, litigation, a pending offer-in-compromise, or an installment agreement. As a result, fig. 2 includes taxes that are for tax periods from more than 10 years ago.

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amounts due IRS from Medicaid providers that did not file payroll taxes (nonfilers) and that underreported their payroll tax liability (underreporters). Also, we did not include Medicaid provider tax debt from 2006 tax periods, or tax debt for entities owing less than \$100 or paid less than \$100.

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## Examples of Extent and Nature of Medicaid Providers' Abusive and Criminal Activity Related to the Federal Tax System

For all 25 cases that we audited and investigated,<sup>15</sup> we confirmed that their activities were abusive and in many instances found criminal activity related to the federal tax system. These 25 providers were paid by Medicaid for a variety of services, including hospital, nursing facility, physician, and ambulance services. Payments ranged from about \$100,000 to approximately \$39 million during fiscal year 2006. In table 1, we summarize 5 of these cases. We have referred the 25 cases detailed in our accompanying report to IRS so that it can determine whether additional collection action or criminal investigation is warranted. In response to our report, IRS agreed to review our cases to determine if additional collection action or criminal investigation is needed.

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<sup>15</sup>For these 25 cases, we obtained copies of automated tax transcripts and other tax records (for example, revenue officer's notes) from IRS and performed additional searches of criminal, financial, and public records. In cases where record searches and IRS tax transcripts indicated that the owners or officers of a business were involved in other related entities (i.e., entities that share common owner(s) or officer(s), a common TIN, or a common address) that have unpaid federal taxes, we also reviewed the related entities and the owner(s) or officer(s), in addition to the original business we identified. In instances where we identified related parties that had both Medicaid payments and tax debts, our case studies included those related entities, combining unpaid taxes and combined Medicaid payments for the original individual/business as well as all related entities. Because our investigations were generally limited to publicly available information, our audit of the 25 cases may not have identified all related parties or all significant assets (i.e., personal bank data, companies established to hide assets) that the Medicaid providers own.

**Table 1: Medicaid Providers with Unpaid Federal Taxes**

Case	Nature of work	Medicaid payments <sup>a</sup>	Unpaid federal tax <sup>b</sup>	Comments
1	Nursing home	\$39 million	\$16 million	<ul style="list-style-type: none"> <li>• Business's tax debt is primarily unpaid payroll taxes.</li> <li>• Business fined for quality of care violations in early 2000s.</li> <li>• Business officer withdrew over \$100,000 in cash at casinos at the same time he was not paying the nursing home's taxes.</li> <li>• Multimillion-dollar IRS and state tax liens filed against the business.</li> </ul>
2	Hospital	\$9 million	\$5 million	<ul style="list-style-type: none"> <li>• Business's tax debts are primarily composed of unpaid payroll taxes beginning in the late 1990s.</li> <li>• IRS reported tax debts to the continuous levy program for collection action.</li> <li>• IRS proposed an injunction to close the business in a recent year because the business continued to accumulate tax debt.</li> <li>• IRS assessed a trust fund recovery penalty (TFRP) against business owners.</li> <li>• IRS attempted to levy a bank account but the owner closed the account prior to the levy.</li> <li>• Business owners had several large cash transactions in recent years.</li> <li>• Owners own two residences worth over \$2 million.</li> <li>• IRS and the state filed tax liens against the business.</li> <li>• Business received over \$2 million in Medicare payments in a recent year.</li> </ul>
3	Nursing home	\$6 million	\$2 million	<ul style="list-style-type: none"> <li>• Business's federal tax debts are primarily composed of unpaid payroll taxes.</li> <li>• Business received nearly \$2 million in Medicare payments in a recent year.</li> <li>• IRS reported tax debts to the continuous levy program for collection action.</li> <li>• Business charged with patient abuse, and business and business owner also fined and suspended for jeopardizing the health and safety of patients.</li> <li>• IRS filed tax liens against the business and business owner.</li> <li>• Related business owes over \$1 million of unpaid taxes that have been referred to the continuous levy program.</li> </ul>

Case	Nature of work	Medicaid payments <sup>a</sup>	Unpaid federal tax <sup>b</sup>	Comments
4	Home care	\$2 million	\$3 million	<ul style="list-style-type: none"> <li>• Business's tax debts are primarily unpaid payroll taxes beginning in the late 1990s.</li> <li>• Business did not file tax returns in late 1990s and early 2000s.</li> <li>• Business owners own multiple real properties, including a million dollar residence, luxury vehicles, and a recreational boat.</li> <li>• IRS assessed over \$1 million TFRP against one business owner.</li> <li>• Business filed bankruptcy in a recent year.</li> <li>• IRS and state filed tax liens against the business.</li> <li>• Business owners own several related health care businesses which are in bankruptcy status.</li> </ul>
5	Professional counselor	\$200,000	\$200,000	<ul style="list-style-type: none"> <li>• Owner's tax debt is primarily individual income taxes.</li> <li>• Owner and spouse currently under investigation for mail fraud.</li> <li>• Owner has a felony conviction.</li> <li>• Owner indicted for fraud for several hundred thousand dollars relating to a federal program.</li> <li>• IRS filed tax liens against the owners.</li> </ul>

Source: GAO's analysis of IRS, FMS, Medicaid claims, public, and other records.

Notes: Dollar amounts are rounded. The nature of unpaid taxes for businesses was primarily due to unpaid payroll taxes. A Medicaid provider can submit claims using either an employer identification number (EIN) or Social Security number (SSN). In our testimony, any provider submitting a claim with an EIN is referred to as a business, and any provider submitting a claim with an SSN is referred to as an individual.

<sup>a</sup>Medicaid payments are Medicaid claims paid by states for fiscal year 2006 (October 1, 2005, to September 30, 2006).

<sup>b</sup>Unpaid tax amount was as of September 30, 2006.

The above cases illustrate how some Medicaid providers abused the federal tax system for their own benefit. Some of these individuals bought or owned significant personal assets, including expensive homes, recreational boats and luxury vehicles. One business officer withdrew over \$100,000 in cash at casinos at the same time the business owed millions of dollars in federal taxes. Further, another case study business was sanctioned by its state regulator for substandard care of its patients.

Four of the above cases involved established businesses that owed federal payroll taxes withheld for their employees. Rather than fulfill their role as "trustees" of these funds and forward them to IRS as required by law, these health care providers diverted the money for other purposes. These

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payroll taxes included amounts withheld from employee wages for Social Security, Medicare, and individual income taxes.<sup>16</sup>

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## Providers with Unpaid Federal Taxes Are Not Prohibited from Enrolling or Receiving Payments from Medicaid

Federal law does not prohibit providers with unpaid federal taxes from enrolling in and billing Medicaid. Federal regulations and policies require the states, as part of their responsibilities for determining whether the providers meet Medicaid requirements for enrollment, to verify basic information on potential providers, including whether the providers meet state licensure requirements and whether the providers are prohibited from participating in federal health care programs. However, federal regulations and policies do not require the states to screen these providers for federal tax delinquency, nor do they explicitly authorize the states to reject the providers that have delinquent tax debt from participation in Medicaid. CMS officials stated that the primary focus of the Medicaid program is to provide health care services for low income people and not the administration of taxes. CMS officials stated that such a requirement could be a burden to the states in their enrollment of providers and could adversely impact states' ability to provide health care to the poor. Consequently, the selected states' processes generally do not consider federal tax debts of prospective providers in the Medicaid enrollment process.<sup>17</sup>

Further, due to a statutory restriction on disclosure of taxpayer information, even if tax debts specifically were to be considered in enrollment in Medicaid, no coordinated or independent mechanism exists for the states to obtain complete information on providers that have unpaid tax debt. Federal law does not permit IRS to disclose taxpayer information, including tax debts, to CMS or Medicaid state officials unless the taxpayer consents, which neither CMS nor the states currently seek.<sup>18</sup> Thus, certain tax debt information can only be discovered from public records if IRS files a federal tax lien against the property of a tax debtor or

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<sup>16</sup>Willful failure to remit payroll taxes is a criminal felony offense while the failure to properly segregate payroll taxes can be a criminal misdemeanor offense. 26 U.S.C. §§ 7202, 7215, and 7512 (b).

<sup>17</sup>Officials from California stated that they do consider federal debts, including tax debts, if they are self-disclosed on a Medicaid application. California officials said that no verification is made.

<sup>18</sup>26 U.S.C. § 6103.

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if a record of conviction for tax offense is publicly available.<sup>19</sup> Consequently, CMS and state officials do not have ready access to information on unpaid tax debts to consider in making decisions on Medicaid providers.

Although a provision of the Taxpayer Relief Act of 1997 authorizes IRS to continuously levy certain federal payments made to delinquent taxpayers, no tax debt owed by Medicaid providers has ever been collected using this provision of the law.<sup>20</sup> If there had been an effective levy program in place, we estimate that the selected states could have levied payments for the federal government and collected between \$70 million to about \$160 million of unpaid federal taxes during fiscal year 2006. In response to our recommendation to conduct a study to determine whether Medicaid payments can be incorporated in the continuous levy program, IRS has determined that Medicaid payments are not federal payments and thus not subject to the continuous levy program.<sup>21</sup>

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## Concluding Comments

Available data indicate that the vast majority of Medicaid providers appear to pay their federal taxes. However, our work has shown that over 30,000 Medicaid providers have taken advantage of the opportunity to avoid paying their federal taxes. While Medicaid providers are relied on to deliver significant medical services to those most in need, they must also pay their fair share of federal taxes. It is also important that they comply with federal tax law in order for the federal government to collect the funds to which it is entitled to finance critical government priorities, and to help improve the overall level of compliance with the nation's tax laws.

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<sup>19</sup>Under section 6321 of the Internal Revenue Code, IRS has the authority to file a lien upon all property and rights to property, whether real or personal, of a delinquent taxpayer.

<sup>20</sup>To improve the collection of unpaid taxes, IRS is authorized to continuously levy up to 100 percent for federal payments related to goods and services. To implement this levy authority, IRS, in coordination with the Department of the Treasury's FMS, implemented the Federal Levy Payment Program in July 2000. This program uses FMS's Treasury Offset Program (TOP) for the levy of federal payments.

<sup>21</sup>In addition to the continuous levy program, IRS also has the authority to legally seize property either held by the taxpayer or owned by the taxpayer and held by a third party. This authority includes the seizure of Medicaid receivables held by states and owed to health care providers. Unlike levies from the continuous levy program, each levy is typically a one-time seizure of property (i.e., Medicaid receivables) held by states at a specific point of time and is done on a case-by-case basis based on the particular circumstances of the case. IRS officials stated that they do not know how much in tax levies were collected from Medicaid payments.

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Mr. Chairman and Members of the Subcommittee, this concludes my statement. I would be pleased to answer any questions that you or other members of the committee may have at this time.

For further information about this testimony, please contact Gregory D. Kutz at (202) 512-6722 or [kutzg@gao.gov](mailto:kutzg@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony.

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# Appendix I: Related GAO Products

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*Tax Compliance: Thousands of Organizations Exempt from Federal Income Tax Owe Nearly \$1 Billion in Payroll and Other Taxes.* [GAO-07-1090T](#). Washington, D.C.: July 24, 2007.

*Tax Compliance: Thousands of Organizations Exempt from Federal Income Tax Owe Nearly \$1 Billion in Payroll and Other Taxes.* [GAO-07-563](#). Washington, D.C.: June 29, 2007.

*Tax Compliance: Thousands of Federal Contractors Abuse the Federal Tax System.* [GAO-07-742T](#). Washington, D.C.: April 19, 2007.

*Medicare: Thousands of Medicare Part B Providers Abuse the Federal Tax System.* [GAO-07-587T](#). Washington, D.C.: March 20, 2007.

*Internal Revenue Service: Procedural Changes Could Enhance Tax Collections.* [GAO-07-26](#). Washington, D.C.: November 15, 2006.

*Tax Debt: Some Combined Federal Campaign Charities Owe Payroll and Other Federal Taxes.* [GAO-06-887](#). Washington, D.C.: July 28, 2006.

*Tax Debt: Some Combined Federal Campaign Charities Owe Payroll and Other Federal Taxes.* [GAO-06-755T](#). Washington, D.C.: May 25, 2006.

*Financial Management: Thousands of GSA Contractors Abuse the Federal Tax System.* [GAO-06-492T](#). Washington, D.C.: March 14, 2006.

*Financial Management: Thousands of Civilian Agency Contractors Abuse the Federal Tax System with Little Consequence.* [GAO-05-683T](#). Washington, D.C.: June 16, 2005.

*Financial Management: Thousands of Civilian Agency Contractors Abuse the Federal Tax System with Little Consequence.* [GAO-05-637](#). Washington, D.C.: June 16, 2005.

*Financial Management: Some DOD Contractors Abuse the Federal Tax System with Little Consequence.* [GAO-04-414T](#). Washington, D.C.: February 12, 2004.

*Financial Management: Some DOD Contractors Abuse the Federal Tax System with Little Consequence.* [GAO-04-95](#). Washington, D.C.: February 12, 2004.

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